

## Message Text

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ACTION NEA-10

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CIEP-02 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15

SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 PA-02 PRS-01

FEA-01 /119 W

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R 271210Z FEB 76

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4308

INFO AMEMBASSY LONDON

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS NEW DELHI 2998

E.O. 11652: N/A

TAGS: ENRG IN

SUBJECT: GOI TAKEOVER OF BURMAH SHELL

1. ON FEBRUARY 24, 1976, THE GOI FINALIZED ITS TAKE OVER OF BURMAH SHELL'S REFINERY AND MARKETING COMPANY IN INDIA AT A TOTAL COST OF RS. 431 MILLION (EQUIVALENT TO ABOUT 23.6 MILLION POUNDS STERLING). THIS INCLUDES RS. 92.5 MILLION (5.1 MILLION POUNDS STERLING) FOR THE TRANSFER TO GOI OF THE BURMAH SHELL REFINERIES LTD., BOMBAY AND RS. 338.4 MILLION (18,548,421 POUNDS STERLING INCLUDING PRINCIPAL AND TAX FREE INTEREST) FOR THE ACQUISITION OF BURMAH SHELL STORAGE AND DISTRIBUTION COMPANY OF INDIA LTD. PARLIAMENT'S PASSAGE OF THE BURMAH SHELL (ACQUISITION OF UNDERTAKINGS IN INDIA) ACT, 1976. CALLS FOR FOUR EQUAL ANNUAL INSTALLMENTS OF THE PRINCIPAL OF 3,802,443 POUNDS STERLING TO BE PAID TO BURMAH SHELL IN LONDON BEGINNING MARCH 30, 1977 PLUS A DECLINING INTEREST PAYMENT.

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2. THE NEW PUBLIC SECTOR COMPANY TO OPERATE THE BS REFINERY HAS BEEN NAMED THE BHARAT REFINERIES LIMITED. A SEVEN MEMBER BOARD OF DIRECTORS INCLUDING A CHAIRMAN HAS BEEN ESTABLISHED TO OPERATE THE NEW COMPANY. IN ADDITION TO CHAIRMAN DR. S. KRISHNASWAMI, WHO WILL CONTINUE TO SERVE CONCURRENTLY AS CHAIRMAN AND MANAGING DIRECTOR OF HINDUSTAN PETROLEUM, THREE FORMER BURMAH SHELL OFFICIALS HAVE BEEN RETAINED - J.B. MALIK, RATTAN DAYAL, AND A.K. DESAI AND THREE GOI OFFICIALS HAVE BEEN APPOINTED - MR. RAMASWAMI, JOINT SECRETARY, MINISTRY OF PETROLEUM; R. NARASIMHAN, DIRECTOR, MINISTRY OF FINANCE AND B. KASIM, AN OFFICIAL IN THE BUREAU OF PUBLIC ENTERPRISES TO SERVE ON THE BOARD.

3. ACCORDING TO KRISHNASWAMI SINCE ESSO RETAINS 26 PERCENT EQUITY IN HINDUSTAN PETROLEUM THERE ARE NO IMMEDIATE PLANS TO MERGE THE TWO COMPANIES, BUT HE SAW ECONOMY IN SUCH A MOVE AT A LATER DATE. HOWEVER, IN VIEW OF THE PRESENT TREND FOR THE GOI TO GAIN COMPLETE CONTROL OF THE COUNTRY'S PETROLEUM SECTOR ESSO MAY BE PROMPTED TO SELL OUT SOONER THAN ITS SCHEDULED DEPARTURE DATE OF MARCH 1981. THE GOI NOW CONTROLS ABOUT 95 PERCENT OF INDIA'S PETROLEUM REFINERY AND MARKETING FACILITIES.

4. THE TAKE OVER OF BURMAH SHELL COINCIDES WITH THE OFFSHORE DEVELOPMENTS OFF THE BOMBAY HIGH AND THE EXPECTED ON-STREAM PRODUCTION OF CRUDE FROM THIS FIELD BY MID-APRIL WHICH HAS BEEN EARMARKED INITIALLY FOR THE BURMAH SHELL REFINERY. THE CAPACITY OF THE REFINERY IS AROUND 5.2 MILLION METRIC TONS. THE GOI HAS ADVANCED A SUM OF RS. 20 MILLION (DOLS 2.4 MILLION) FOR MAKING MINOR ALTERATIONS TO THE REFINERY TO ACCOMMODATE THE SWEET BUT WAXY BOMBAY HIGH CRUDE. THE INSTALLATION OF A DESALTER IS ALSO CALLED FOR AT A COST OF RS. 9 MILLION (DOLS 1.1 MILLION).

5. WITH THE PATTERN NOW SET BY BURMAH SHELL, NEGOTIATIONS ARE UNDERWAY FOR THE GOI TAKEOVER OF CALTEX AND ASSAM OIL, THE TWO REMAINING PRIVATE SECTOR OIL COMPANIES IN INDIA. THERE IS TALK OF TRYING TO WIND UP THESE NEGOTIATIONS DURING THE CURRENT FISCAL YEAR ENDING MARCH 31, 1976.

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THERE IS NO INDICATION AS YET WHETHER OR NOT THE GOI INTENDS TO MOVE ON OIL INDIA LTD. IN WHICH THE GOVERNMENT OF INDIA AND BURMAH OIL COMPANY LTD. OF THE U.K. HAVE EQUAL SHARES.SAXBE

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